United States Department of Agriculture

Grain Transportation Prospects

USDA/STB Grain Logistics Task Force Working Group

August 31, 1998

Summary

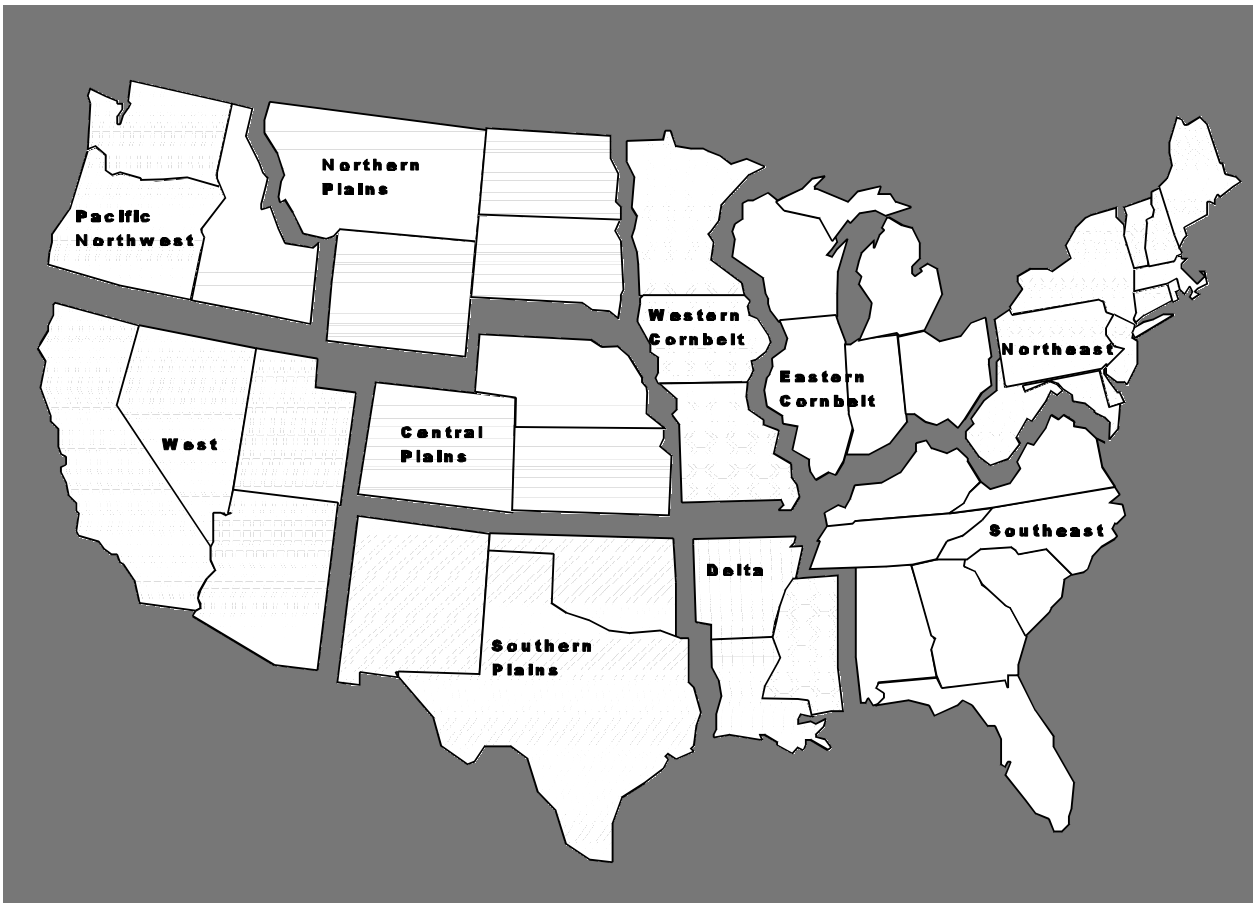
Grain carloadings on the major railroads (Class I) have increased slightly in recent weeks, despite weaker demand for rail transportation in the Western United States. This is, at least partly, the result of slackened export demand for grain at West Coast ports. Since early June, rail shipments to the Pacific Northwest have been down 29 percent from the same period in 1997. In contrast, export rail demand at the Texas Gulf ports has risen in recent weeks by 37 percent over year-ago levels. The small recent increase in grain carloadings nationwide has resulted largely from strong demand for rail shipments in the Eastern United States. Heading into the fall harvest, the number of railcars currently assigned to agricultural service by Class I railroads is up 4 percent from 1997. With grain and soybean stocks at the highest levels in several years and bumper crops anticipated throughout the Midwest and Central and Northern Plains, this additional capacity should help reduce harvest-time rail transportation problems. As the market seeks available storage for this year's crops, demand for grain transportation is expected to increase. A significant concern will be the timing and duration of the soybean and corn harvests. With the maturity of the corn crop running substantially ahead of the 5-year average and the soybean crop maturing only slightly ahead of its 5-year average, the peak shipping seasons for these two crops could overlap, spiking rail demand early in the fall shipping season.

Domestic Grain Situation

The following sections provide a summary of domestic U.S. corn, wheat, and soybean production, stocks, and domestic use. For more detailed information on production and stocks see the latest National Agricultural Statistics Service *Crop Production* at **http://jan.mannlib.cornell.edu/reports/nassr/field/pcp-bb/** and *Grain Stocks* at **http://jan.mannlib.cornell.edu/reports/nassr/field/pgs-bb/**. For more detailed information on domestic supplies and use see the latest Economic Research Service (ERS) *Feed Outlook* at **http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bb/**, *Wheat Outlook* at **http://usda.mannlib.cornell.edu/reports/erssor/field/whs-bb/**, and *Oil Crops Outlook* at **http://usda.mannlib.cornell.edu/reports/erssor/field/ocs-bb/**. The latest and most detailed grain and oilseed supply and demand information is available from the World Agricultural Outlook Board in *World Agricultural Supply and Demand Estimates* at http://www.usda.gov/oce/waob/wasde/wasde.htm.

This report is compiled by USDA's Agricultural Marketing Service, Transportation and Marketing Programs. It contains information provided by the Surface Transportation Board (STB) and USDA's Agricultural Marketing Service, Economic Research Service, Farm Service Agency, Foreign Agricultural Service, and National Agricultural Statistics Service. It is approved for release by the World Agricultural Outlook Board. It is part of the USDA/STB Grain Logistics Task Force (GLTF) effort to provide better market information to grain shippers, receivers, and producers and railroads concerning rail transportation supply and demand. A list of the GLTF working group members can be found at the end of the report. For questions or comments concerning this report contact Jerry D. Norton, USDA-Agricultural Marketing Service, 202-690-1303, "jerry_d_norton@usda.gov". Unless otherwise referenced, information in the report is based on data from the August 12, 1998, *World Supply and Demand Estimates* and *Crop Production* reports.

Figure 1–U.S. grain production regions



Corn

U.S. corn production for the 1998/99 marketing year is forecast at 9,592 million bushels, up 2.4 percent from last year and only 5 percent below the record 10.1-billion-bushel 1994 crop. This year's corn crop is maturing well ahead of normal, with 39 percent of the crop in the dent stage as of August 23, compared to 20 percent last year at this time and the 5-year average of 22 percent. Available supplies for 1998/99 are projected at 11,051 million bushels, up 8 percent from 1997/98. Stocks of corn, as of August 31, 1999, are projected at 1,851 million bushels, up from 1,449 million forecast for the current year. This would be the highest level of ending stocks since 1992/93 when corn stocks totaled 2.1 billion bushels.

Despite the size of the corn crop nationwide, drought and heat damage have reduced crops in the Southeast, Delta, and Southern Plains regions (table 1). During the past 5 years, these regions have accounted for 9 percent of total U.S. corn production. Production in the Southeast and Delta regions is expected to be down from 1997/98 by 5 and 9 percent, respectively. Southern Plains production is expected to be down 25 percent from last year. All other regions, except the West, which will have a smaller crop in 1998, are expected to produce corn crops that are larger than in 1997 and substantially above their 5-year average production. Forecast production for 1998/99 continues to show the gradual westward movement of U.S. corn production. While production in the Eastern Corn Belt is expected to be just slightly higher than last year and

Table 1--U.S. corn production by region, 1993/94-1998/99

Region	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99*	Percent of 1997	Percent of 5-yr. avg.
	Million bushels							
Northeast	208	270	226	297	240	265	111	107
Southeast	314	457	370	465	411	392	95	97
Delta	43	72	59	156	129	117	91	128
Eastern Corn Belt	2,814	3,829	2,700	2,993	3,273	3,275	100	105
Western Corn Belt	1,369	3,120	2,284	2,941	2,847	3,011	106	120
Southern Plains	242	269	245	241	290	217	75	84
Central Plains	1,108	1,592	1,191	1,678	1,688	1,765	105	122
Northern Plains	181	430	241	444	403	471	117	139
Pacific Northwest	24	28	28	33	29	31	107	109
West	33	36	30	45	56	48	86	121
United States	6,336	10,103	7,374	9,293	9,366	9,592	102	113

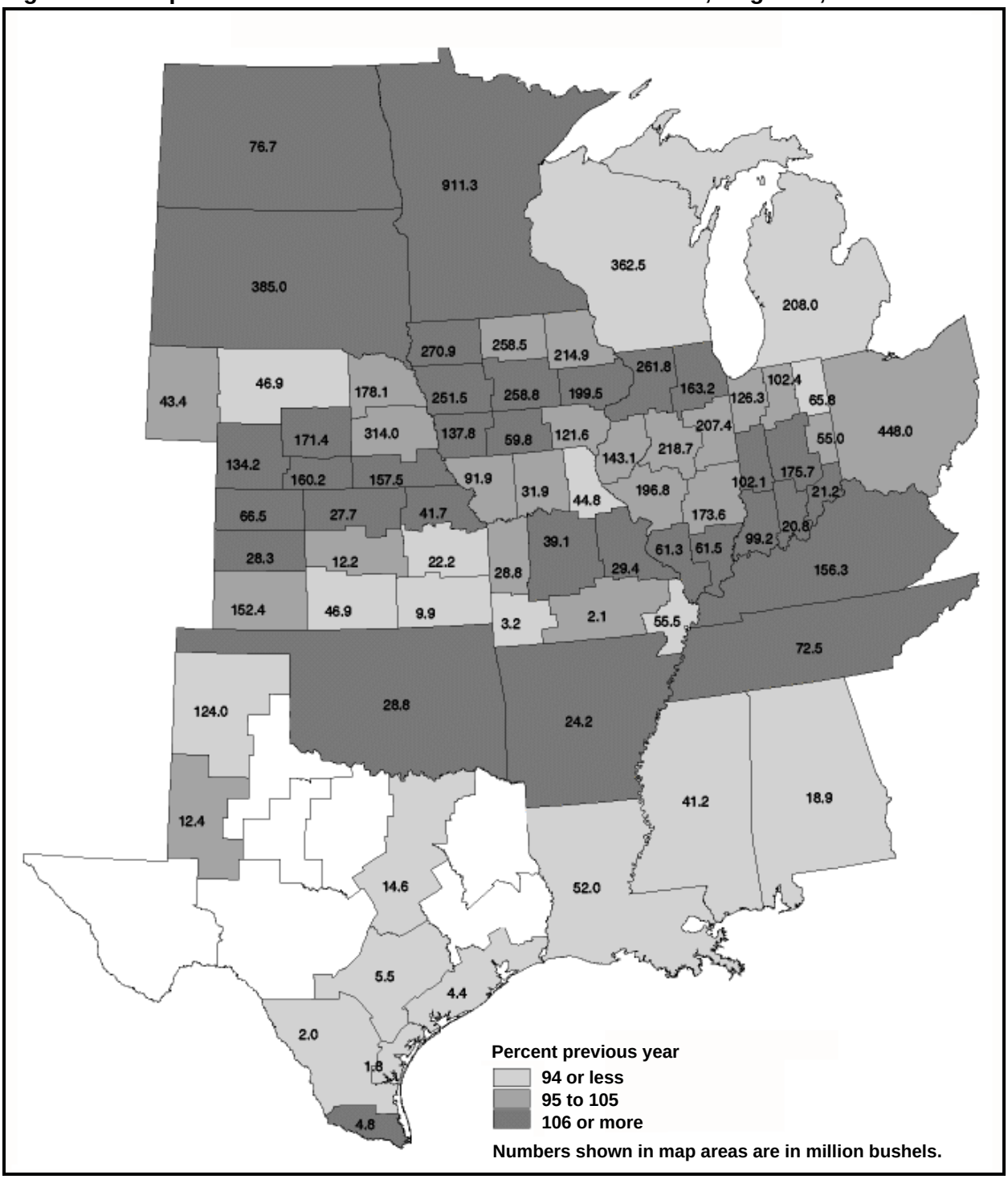
* Based on the August 12 *Crop Production* report.
Source: USDA-NASS

5 percent higher than the 5-year average, Western Corn Belt production is forecast up 6 percent from 1997/98 and 10 percent higher than the 5-year average. Even farther west in the Central Plains, production is expected to be up 5 percent from 1997/98 and 22 percent above the 5-year average. While production continues to remain small relative to the national crop, forecasts for the Northern Plains put this year's corn crop 17 percent higher than 1997/98 and up 39 percent from the region's 5-year average.

Corn production in some more localized areas will be up even more than these regional numbers suggest. Illinois, Indiana, and Iowa will all see increases in production (4, 7, and 7 percent) for 1998/99. The largest increases in production in these States are expected in a band from Central Indiana through Southern Illinois along the Ohio River Valley (figure 2). Larger increases are also expected in a band beginning in northern Illinois and including central and western Iowa. Substantial increases in production are forecast for Minnesota, North Dakota, and South Dakota (6, 28, and 16 percent) for this year. While production in Kansas and Nebraska is forecast up (6 and 5 percent), the largest increases in production will be in northern Kansas and southern Nebraska.

Total corn use for 1998/99 is projected at 9.2 billion bushels, down from earlier projections because of reductions in prospective food, seed, and industrial use (FSI). This total is up 4.5 percent from the 8.8 billion bushels currently being forecast for 1997/98 and second only to the 9.4 billion bushels used during 1994/95. Although both feed and residual use and FSI use are expected to be at record levels for 1998/99, exports are likely to remain weak, keeping total use below the 1994/95 record.

Figure 2–Corn production forecast for selected districts/States, August 1, 1998



Source: USDA-NASS

Wheat

Despite reductions in acreage, U.S. wheat production is forecast up 1 percent for 1998/99 at 2,549 million bushels. At the current forecast production, this year's harvest will be the largest in 8 years. Weather conditions during the spring and early summer were nearly ideal in many wheat-producing areas. The U.S. wheat yield is forecast at a record 43.0 bushels per acre. With larger beginning stocks, the U.S. wheat supply in 1998/99 is forecast to rise to 3,362 million bushels, up 10 percent from 1997/98. At 819 million bushels, ending stocks for 1998/99 are projected to be the highest since 1990/91.

Hard red winter (HRW) wheat production is forecast at 1,200 million bushels for 1998/99, up 79 million bushels from 1997/98. Kansas production is currently estimated at 495 million bushels with yields forecast at 49 bushels per acre, 3 bushels above last year's record yield in that State. Yields are also forecast to reach record highs in Colorado, Oklahoma, Nebraska, and South Dakota. The large carry-in stocks push HRW supplies to 19 percent above a year earlier. Soft red winter (SRW) wheat production is forecast at 449 million bushels for 1998/99, down 35 million bushels from last year. Larger beginning stocks will offset the lower production, and supplies are equal to last year. White (WW) wheat production is forecast at 318 million bushels for 1998/99, down 5 percent from last year. However, beginning stocks will be more than offsetting, and supplies are forecast up 4 percent. Hard red spring (HRS) wheat production is forecast at 456 million bushels for 1998/99, down 45 million bushels from last year. Again the smaller crop will be more than offset by large carryover stocks, and total supplies are up from last year. Durum wheat production for 1998/99 is projected at 126 million bushels, up 46 percent from 1997/98. Unlike the other classes, carry-in stocks are lower than last year and durum supplies are only up 20 percent.

Wheat production is up for 1998/99 throughout the Plains (table 2). The largest increases are in the Southern Plains where Oklahoma and Texas experienced increases of 15 and 21 percent over last year's crops. In the Central Plains, wheat production in Colorado and Nebraska is forecast up 17 and 20 percent from 1997/98 levels. The Northern Plains are expected to have a 1998/99 wheat crop that is 3 percent larger than last year. Spring wheat production in this region, however, is expected to be down 8 percent from last year. The largest decreases are expected in South Dakota and northwestern Montana (figure 3). Increases in spring wheat production are expected in southwestern and south-central Montana.

Domestic feed and residual wheat use is projected to increase to 400 million bushels for 1998/99, up from 294 million bushels in 1997/98. Lower wheat prices will make wheat feeding much more attractive this year. Food use and exports are also expected to rise modestly in 1998/99 to 2,050 million bushels, up 5 percent from last year. Total wheat use is projected at 2,543 million bushels, up 9 percent from last year. While this is the largest use since 1987/88, it is not enough to prevent an increase in 1998/99 ending stocks. HRW use is projected to total 1,112 million bushels in 1998/99, up 16 percent from 1997/98. HRS use is projected to total 528 million bushels in 1998/99, up 5 percent from last year. WW wheat use is projected at 322 million bushels, up 3 percent from last year, and SRW wheat is projected at 445 million bushels, down less than 1 percent from last year.

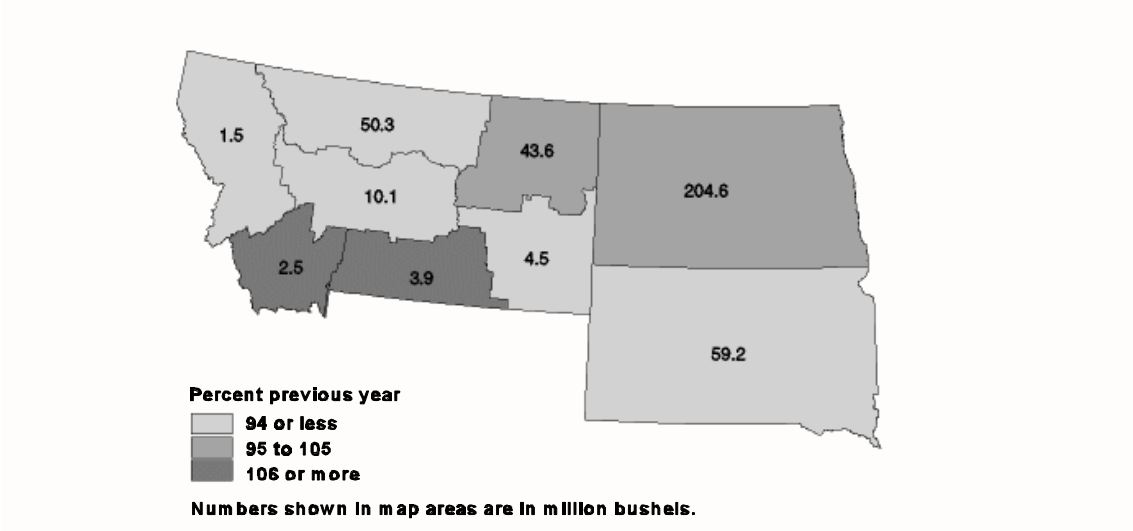
Table 2--U.S. wheat production by region, 1993/94-1998/99

Region	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99*	Percent of 1997	Percent of 5-yr. avg.
				Million bushels				
Northeast	28	32	38	34	39	36	92	106
Southeast	99	128	110	119	133	103	77	87
Delta	51	49	56	84	51	56	110	96
Eastern Corn Belt	182	196	227	151	219	209	96	107
Western Corn Belt	125	124	121	157	137	124	90	93
Southern Plains	281	224	188	173	307	357	116	152
Central Plains	559	584	477	404	671	689	103	128
Northern Plains	660	628	595	717	561	578	103	91
Pacific Northwest	353	293	318	369	346	329	95	98
West	58	63	53	77	63	68	107	108
United States	2,396	2,321	2,183	2,285	2,527	2,549	101	109

* Based on the August 12 *Crop Production* report.
Source: USDA-NASS

Source: USDA-NASS

Figure 3–Spring wheat production forecast for selected districts/States, August 1, 1998



Soybeans

U.S. soybean production is forecast at a record 2,825 million bushels for 1998/97. If this forecast holds, 1998/99 production will be up 4 percent from the record 1997/98 crop. The national yield is forecast at 39.5 bushels per acre, 1.9 bushels below the record in 1994/95. Moisture conditions for soybeans stabilized in July, with stressed crops in the South receiving some much needed relief. In the major producing States of the Corn Belt, crop conditions continue to be quite favorable. The crop is maturing slightly ahead of normal with 89 percent setting pods on August 23, as compared with 88 percent last year at that time and 81 percent for the 5-year average. Available supplies for 1998/99 are projected at 3,041 million bushels, up 6 percent from 1997/98. Ending stocks for 1998/99 are projected at 430 million bushels, more than double the 210 million bushels currently projected for 1997/98. At the currently projected level, soybean ending stocks for the coming marketing year would be the highest since 1986/87.

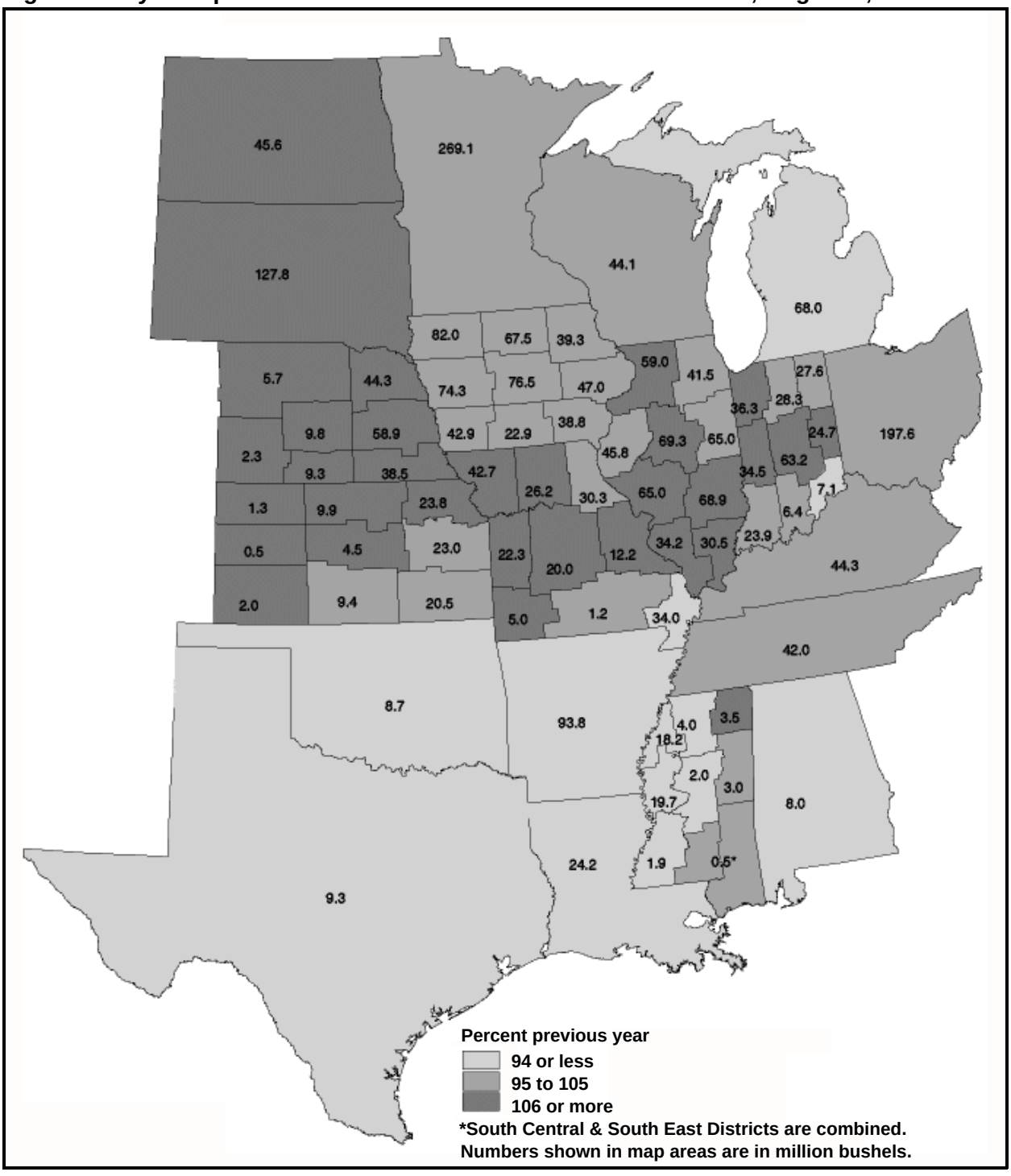
Harvested acres are forecast at a record 71.6 million acres with increases in production in the Eastern Corn Belt, Western Corn Belt, Central Plains, and Northern Plains (table 3). As with corn, the western expansion of production is evident in the expected production for the Central and Northern Plains. Production in these regions is expected to increase by 15 and 12 percent over last year and 40 and 66 percent over the 5-year average for these regions. The largest increases in western production are forecast for North Dakota where production is expected to jump 32 percent in 1998/99 (figure 4). Large increases are also expected for Kansas and Nebraska, where production is forecast to be up 19 and 14 percent for 1998/99. In the Eastern Corn Belt, production is expected to be up 12 percent in Illinois and 6 percent in Indiana. Production in Missouri is forecast up 10 percent with much of this increase in the central and western parts of the State.

Table 3--U.S. soybean production by region, 1993/94-1998/99

Region	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99*	Percent of 1997	Percent of 5-yr. avg.
				Million bushels				
Northeast	36	46	29	41	39	42	108	111
Southeast	135	181	141	172	170	162	95	101
Delta	166	205	152	202	212	171	81	91
Eastern Corn Belt	842	911	822	839	978	1,041	106	119
Western Corn Belt	491	840	775	790	922	954	103	125
Southern Plains	10	16	12	14	21	18	86	123
Central Plains	143	208	152	209	230	264	115	140
Northern Plains	48	110	94	115	155	173	112	166
Pacific Northwest West								
United States	1,871	2,517	2,177	2,382	2,727	2,825	104	121

* Based on the August 12 *Crop Production* report.
Source: USDA-NASS

Figure 4–Soybean production forecast for selected districts/States, August 1, 1998



Source: USDA-NASS

In recent weeks, domestic soybean crushing has been able to remain strong, despite the lowest monthly U.S. gross crush margins in years. The 1998/99 crush is projected at 1,615 million bushels, up just slightly from this year's crush forecast of 1,590 million bushels. Total 1998/99 use is projected at 2,611 million bushels, down 1.6 percent from 1997/98 forecast use.

Grain and Soybean Supplies and Storage Capacity

The biggest issue facing the grain handling and transportation system for the coming harvest will likely be the availability of adequate storage capacity. If current projections for the fall crops remain on track, the 1998/99 grain and soybean crop will be the second largest ever, at just over 16 billion bushels (table 4). Grain and soybean production in the Eastern Corn Belt, Western Corn Belt, and Central Plains will be up again in 1998/99 for the fourth straight year. Production in the Northern Plains will be below the 1996/97 level, but also up from last year. Together, these four regions will account for 83 percent of U.S. grain and soybean production in 1998/99.

Table 4--U.S. grain and soybean production by region, 1993/94-1998/99

Region	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99*
			Million bushels			
Northeast	304	378	325	397	351	372
Southeast	574	797	644	780	737	673
Delta	286	360	291	476	415	363
Eastern Corn Belt	3,909	5,008	3,806	4,040	4,533	4,576
Western Corn Belt	2,095	4,218	3,280	4,005	4,012	4,173
Southern Plains	722	692	597	652	848	729
Central Plains	2,087	2,763	2,078	2,782	2,953	3,068
Northern Plains	1,180	1,456	1,154	1,542	1,351	1,479
Pacific Northwest	476	405	440	499	485	471
West	120	128	110	151	147	142
					15,832	
United States	11,753	16,205	12,725	15,324	15,832	16,046

Note: The marketing year for wheat, barley, oats, and rye begins June 1. The marketing year for corn, soybeans, and sorghum begins September 1.
* Based on the August 12 *Crop Production* report.
Source: USDA-NASS

Carry-in or beginning year grain and soybean stocks are also projected up for 1998/99, the third year in a row. Based on the latest projections these stocks will be up 56 percent from last year. Although September 1 corn, soybean, and sorghum stocks estimates will not be available until September 30, current U.S. projected totals combined with historic dispositions of ending year stocks suggest that some regions will have particularly high levels of beginning stocks in 1998/99 (table 5). Generally storage capacity in the United States has declined in recent years. With the December 1, 1997, storage capacity in the United States down 1.9 billion bushels from December 1, 1992, the additional stocks carried into the 1998/99 marketing year, combined with a larger harvest, will present serious logistical problems in some areas (table 6).

Table 5--U.S. grain and soybean beginning year stocks by region, 1993/94-1998/99

Region	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99*
			Million bushels			
Northeast	46	28	38	20	33	43
Southeast	59	38	43	24	31	47
Delta	25	14	13	12	10	17
Eastern Corn Belt	789	435	641	279	313	608
Western Corn Belt	1,197	512	971	300	503	798
Southern Plains	111	73	74	52	47	99
Central Plains	573	309	390	163	288	433
Northern Plains	387	328	341	174	298	341
Pacific Northwest	96	107	77	78	87	123
West	15	18	14	13	14	21
Unallocated	77	59	83	56	59	88
United States	3,375	1,921	2,685	1,171	1,683	2,618

Note: Beginning year stocks for wheat, barley, oats, and rye are as of June 1. Beginning year stocks for corn, soybeans, and sorghum are as of September 1.
* Based on the June 30 *Grain Stocks* report for the June 1 crops and projections of beginning year stocks from the August 12 *World Agricultural Supply and Demand Estimates* report. Regional disposition of projected corn, soybeans, and sorghum beginning stocks are estimated based on historic beginning year stock dispositions by State for 1993/94-1997/98.
Sources: USDA-NASS, USDA-WAOB

Table 6--U.S. grain storage capacity by region, 1993/94-1998/99

Region	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
			Million bushels			
Northeast	443	431	399	394	377	378
Southeast	988	936	915	883	865	841
Delta	574	564	559	540	531	528
Eastern Corn Belt	5,183	5,128	5,115	5,025	4,988	4,985
Western Corn Belt	5,282	5,144	5,062	5,003	4,891	4,896
Southern Plains	1,504	1,439	1,368	1,319	1,177	1,098
Central Plains	3,392	3,214	3,267	3,196	3,134	3,102
Northern Plains	2,190	2,112	2,091	2,033	2,033	1,996
Pacific Northwest	681	661	645	652	636	633
West	162	152	142	140	139	140
Unallocated	356	331	311	281	271	291
United States	20,755	20,112	19,874	19,466	19,042	18,888

Note: Storage capacity for each marketing year is based on capacity as of December 1 the proceeding year as reported in the January *Grain Stocks* report.
Source: USDA-NASS

Table 7--U.S. grain and soybean supplies (production + beginning year stocks) as a percentage of storage capacity by region, 1993/94-1998/99

Region	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99*
			Percent			
Northeast	79	94	91	106	102	110
Southeast	64	89	75	91	89	86
Delta	54	66	54	90	80	72
Eastern Corn Belt	91	106	87	86	97	104
Western Corn Belt	62	92	84	86	92	102
Southern Plains	55	53	49	53	76	75
Central Plains	78	96	76	92	103	113
Northern Plains	72	84	72	84	81	91
Pacific Northwest	84	78	80	89	90	94
West	83	96	87	117	116	116
Unallocated	- na -	- na -	- na -	- na -	- na -	- na -
United States	73	90	78	85	92	99

Note: The marketing year for wheat, barley, oats, and rye begins June 1. The marketing year for corn, soybeans, and sorghum begins September 1.

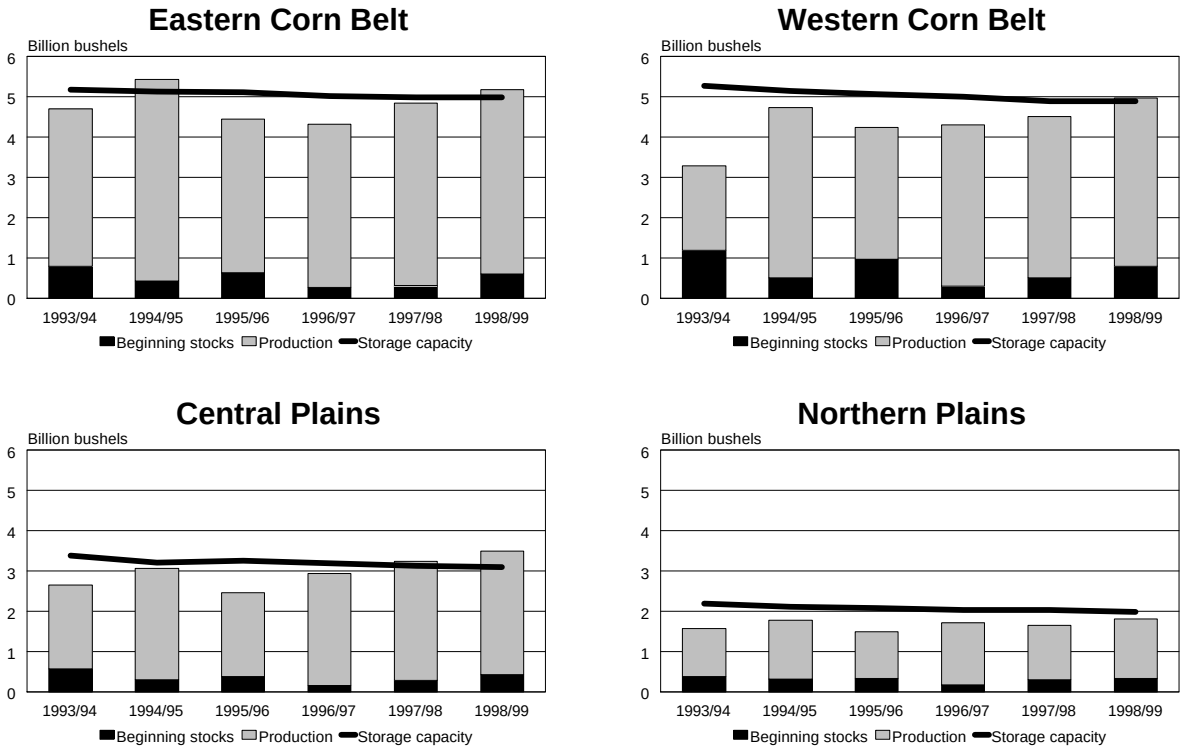
* Based on the August 12 *Crop Production* report. Beginning year stocks for wheat, barley, oats, and rye are as of June 1. Beginning year stocks for corn, soybeans, and sorghum are as of September 1. Based on the June 30 *Grain Stocks* report for the June 1 crops and projections of beginning year stocks from the August 12 *World Agricultural Supply and Demand Estimates* report. Regional disposition of projected corn, soybeans, and sorghum beginning stocks are estimated based on historic beginning year stock dispositions by State for 1993/94-1997/98.

Sources: USDA-NASS, USDA-WAOB

Beginning year stocks plus production provide an indication of the likely harvest-time pressure on grain handling and storage capacity. This measure, however, should not be taken to suggest that the combined volume of beginning stocks and production is available at any one time in the marketing year. The marketing year for the small grains crops (wheat, barley, oats, and rye) begins June 1, and the marketing year for the fall row-crops (corn, soybeans, and sorghum) begins September 1. Even so, these combined volumes of beginning stocks plus production suggest that storage and handling capacity will be tight in 1998, particularly in the major producing regions (table 7). As was the case last fall, storage capacity will be extremely tight in the Central Plains. In fact, this measure of handling and storage demand suggests that storage will be even tighter in the Central Plains, Western Corn Belt, and Eastern Corn Belt than last year (figure 5). Much of this, however, will depend upon how quickly this fall's crops move in from the field and how fast they move from country positions into domestic and export use.

In many parts of the western grain producing areas, limited harvest-time storage capacity and the need to move new crop grains and soybeans under cover will drive demand for transportation. Particularly in the rail-dependent areas of the Central Plains, Northern Plains, and Western Corn Belt, this supply-driven transportation demand will present problems for shippers and railroads in the coming weeks as transportation demand increases from its weak first-half 1998 levels.

Figure 5–Grain and soybean production, beginning year stocks, and storage capacity for key producing regions, 1993/94-1998/99



USDA-Farm Service Agency Marketing Assistance Loans

The data in tables 8-11 represent the amount of grain currently outstanding in the 9-month non-recourse marketing assistance loan program within each region on the date indicated on the table. Grain and soybeans may be redeemed from loan at any time prior to loan maturity. No estimate of the amount of forfeitures to Government stocks can be implied by these data. Information about this program is available from the Farm Service Agency at http://www.fsa.usda.gov/.

As of July 31, 1998, outstanding quantities of wheat in the 9-month loan program totaled 73 million bushels for the 1997 crop, with 60 percent of this wheat positioned in the Northern Plains. Nearly all of these loans will mature by this December. Wheat under loan from the 1998 crop totaled 127 million bushels. The Central and Southern Plains account for 80 percent of this wheat. Virtually all of the current 1998 wheat crop loans are scheduled to mature in March and April of next year.

Corn in the 9-month loan program totaled 504 million bushels for the 1997 crop, with 47 percent of this corn positioned in the Western Corn Belt and 25 percent in the Central and Northern Plains. Nearly all of the remainder is in the Eastern Corn Belt, as would be expected. Of the total amount under loan from the 1997 crop, 90 percent will mature by this October.

Table 8--1997 Wheat crop under loan: outstanding quantities by maturity month, July 31, 1998

Region	Jul '98	Aug '98	Sep '98	Oct '98	Nov '98	Dec '98	Jan '99	Feb '99	Total
					1,000 bushels				
Northeast	5	6	8	2	0	0	0	0	56
Southeast	0	1	33	6	48	0	0	0	183
Delta	0	0	0	0	0	0	0	0	0
Eastern Corn Belt	19	72	52	13	5	17	5	0	260
Western Corn Belt	956	1,194	2,120	1,862	646	823	85	0	9,456
Southern Plains	28	33	413	358	24	67	4	0	927
Central Plains	100	258	988	933	377	473	83	0	3,332
Northern Plains	3,845	4,834	8,936	9,864	3,312	7,319	631	49	44,110
Pacific Northwest	2,512	1,724	2,310	2,240	1,036	3,534	658	0	14,501
West	54	57	102	31	34	23	0	0	333
United States	7,519	8,179	14,962	15,309	5,482	12,256	1,466	49	73,158

Note: Total includes quantities under loans that are past maturity.
Source: USDA-FSA

Table 9--1998 Wheat crop under loan: outstanding quantities by maturity month, July 31, 1998

Region	Oct '98	Dec '98	Feb '99	Mar '99	Apr '99	May '99	Jun '99	Jul '99	Total
					1,000 bushels				
Northeast	0	0	0	0	731	0	0	0	731
Southeast	0	1	18	1,074	2,429	0	0	0	3,522
Delta	0	0	0	4,209	2,238	0	0	0	6,447
Eastern Corn Belt	0	0	0	523	4,346	0	0	0	4,869
Western Corn Belt	0	0	0	892	1,659	0	0	0	2,551
Southern Plains	0	0	33	19,430	14,845	0	0	0	34,308
Central Plains	22	0	0	7,873	58,169	0	0	0	66,064
Northern Plains	0	0	0	0	7,691	2	0	0	7,693
Pacific Northwest	0	0	0	0	278	0	0	0	278
West	0	0	0	0	384	0	0	0	384
United States	22	1	51	34,001	92,770	2	0	0	126,847

Note: Total includes quantities under loans that are past maturity.
Source: USDA-FSA

Table 10--1997 Corn crop under loan: outstanding quantities by maturity month, July 31, 1998

Region	Jul '98	Aug '98	Sep '98	Oct '98	Nov '98	Dec '98	Jan '99	Feb '99	Mar '99	Apr '99	Total
						1,000 bushels					
Northeast	22	700	4,702	2,123	709	322	373	321	116	6	9,394
Southeast	1,360	1,275	2,215	534	237	117	192	65	4	0	6,030
Delta	104	4	125	18	27	7	0	0	0	0	302
Eastern Corn Belt	5,300	30,332	46,274	26,050	5,218	3,824	2,407	1,457	310	0	121,212
Western Corn Belt	8,847	59,057	58,159	86,723	9,188	5,402	3,466	3,158	1,389	0	235,407
Southern Plains	180	899	940	755	63	31	54	73	0	0	3,001
Central Plains	4,350	19,020	27,130	35,531	3,644	1,698	1,590	1,533	407	0	94,907
Northern Plains	1,960	9,720	7,782	9,580	1,149	663	921	682	189	0	32,646
Pacific Northwest	0	8	187	0	6	0	0	0	0	0	201
West	106	162	51	152	0	0	0	0	0	0	471
United States	22,229	121,177	147,565	161,466	20,241	12,064	9,003	7,289	2,415	6	503,571

Note: Total includes quantities under loans that are past maturity.
Source: USDA-FSA

Table 11--1997 Soybean crop under loan: outstanding quantities by maturity month, July 31, 1998

Region	Jul '98	Aug '98	Sep '98	Oct '98	Nov '98	Dec '98	Jan '99	Feb '99	Mar '99	Apr '99	Total
						1,000 bushels					
Northeast	186	255	439	82	19	19	41	7	0	0	1,049
Southeast	69	275	1,271	347	86	78	60	15	1	2	2,204
Delta	16	89	232	127	2	22	0	3	0	0	491
Eastern Corn Belt	4,047	6,424	5,131	3,385	726	525	416	169	36	2	20,885
Western Corn Belt	6,911	10,449	9,129	13,383	1,768	1,153	609	340	195	0	43,939
Southern Plains	5	10	49	28	0	11	0	0	0	0	103
Central Plains	862	1,535	1,802	2,036	272	231	80	70	87	0	6,975
Northern Plains	1,541	1,587	1,024	1,585	236	167	185	88	23	0	6,440
Pacific Northwest	0	0	0	0	0	0	0	0	0	0	0
West	0	0	0	0	0	0	0	0	0	0	0
United States	13,637	20,624	19,077	20,973	3,109	2,206	1,391	692	342	4	82,086

Note: Total includes quantities under loans that are past maturity
Source: USDA-FSA

Soybeans under loan from the 1997 crop totaled 82 million bushels, as of July 31. The Western and Eastern Corn Belts account for 79 percent of these soybeans with the Central and Northern Plains accounting for another 16 percent. The Western Corn Belt alone accounts for 54 percent of all soybeans under loan. Of the total amount under loan from the 1997 crop, 90 percent will mature by this October.

Export Situation

The following sections provide a summary of the export situation for U.S. corn, wheat, and soybeans. For more detailed information see the latest ERS *Feed Outlook* at **http://usda.mannlib.cornell.edu/reports/erssor/field/fds-bb/**, *Wheat Outlook* at **http://usda.mannlib.cornell.edu/reports/erssor/field/whs-bb/**, and *Oil Crops Outlook* at **http://usda.mannlib.cornell.edu/reports/erssor/field/ocs-bb/** and the latest Foreign Agricultural Service *Grains: World Markets and Trade* at **http://www.fas.usda.gov/grain/circular/1998/98-08/graintoc.htm** and *Oilseeds: World Markets and Trade* at **http://www.fas.usda.gov/oilseeds/circular/1998/98-08/toc.htm** . For current outstanding export sales by country of destination see the latest FAS *Export Sales* report at http://www.fas.usda.gov/export-sales/esrd1.html.

Corn

U.S. corn exports for the 1998/99 marketing year are currently forecast at 1,600 million bushels, up 8 percent from the depressed 1997/98 forecast of 1,475 million but still historically low. Exports averaged 2,067 million bushels over the 3-year period of 1994/95-1996/97, but they have contracted dramatically in 1997/98 because of a sharp increase in competitor shipments as well as a reduction in world imports. In 1998/99, world corn trade is expected to decline again, but U.S. export prospects are up because of a forecast decline in competitor exports.

World corn trade is forecast to decline 3 percent in 1998/99 because of sluggish demand in several key importing countries, increased domestic production in others, and increased competition from rye and barley. The financial crisis in South Korea and other nations in Southeast Asia is expected to reduce the region's corn imports again in 1998/99. In addition, Taiwan's imports are forecast to be flat due to an outbreak of hoof and mouth disease in 1997. After a small increase in 1997/98, corn imports by Japan, the world's largest importer, are forecast to decline in 1998/99. Mexico's imports of corn and sorghum are also forecast to drop in 1998/99 after fairly substantial increases for both the previous year.

The United States is forecast to gain market share in 1998/99 as competitor shipments slip but remain comparatively large. Lower exports are expected for China, Argentina, and Eastern Europe. China's corn exports are forecast down 2 million tons, while its imports remain negligible. China's exports will largely depend on government policy decisions more than market conditions. Competition from Argentina will remain strong in 1998/99 although both production and exports are forecast to decline from record highs of 1997/98. Production in Eastern Europe is forecast down sharply because of reduced incentives to plant and the expectation that the exceptionally favorable growing conditions of the previous year will not be repeated.

Wheat

U.S. wheat exports for 1998/99 are currently forecast at 1,125 million bushels, up 8 percent from 1997/98, with most of the increase expected to be in HRW wheat. The expected rise is the result of decreased competitor exports, as world trade is projected to decline slightly. World trade is forecast at 98.8 million tons in 1998/99, marking the fifth straight year trade has remained in the 98-101 million ton range. In 1998/99, U.S. exports will face increased competition from the European Union (EU) but less from Canada and Argentina.

Canada's wheat production is forecast down slightly in 1998/99, but supplies will be down significantly because of sharply reduced beginning stocks. Exports are forecast to drop 24 percent. During the 1990's, Canada's exports have only dipped this low once before. Australia is expected to increase wheat production and maintain exports at the same, relatively high level as the previous year. Argentina's production and exports will fall sharply, as producers cut plantings in response to low prices. The EU's wheat production is expected to be record large, as favorable growing conditions boost yields, and exports are forecast to increase 13 percent.

Global wheat consumption in 1998/99 is expected to increase about 3 percent, somewhat faster than the rate of population growth. The financial crisis in Southeast Asia is not expected to have a large effect on wheat consumption, partly because the region's largest staple is rice, and also because of trade credits provided by exporters and some government intervention to limit price increases to consumers.

Soybeans

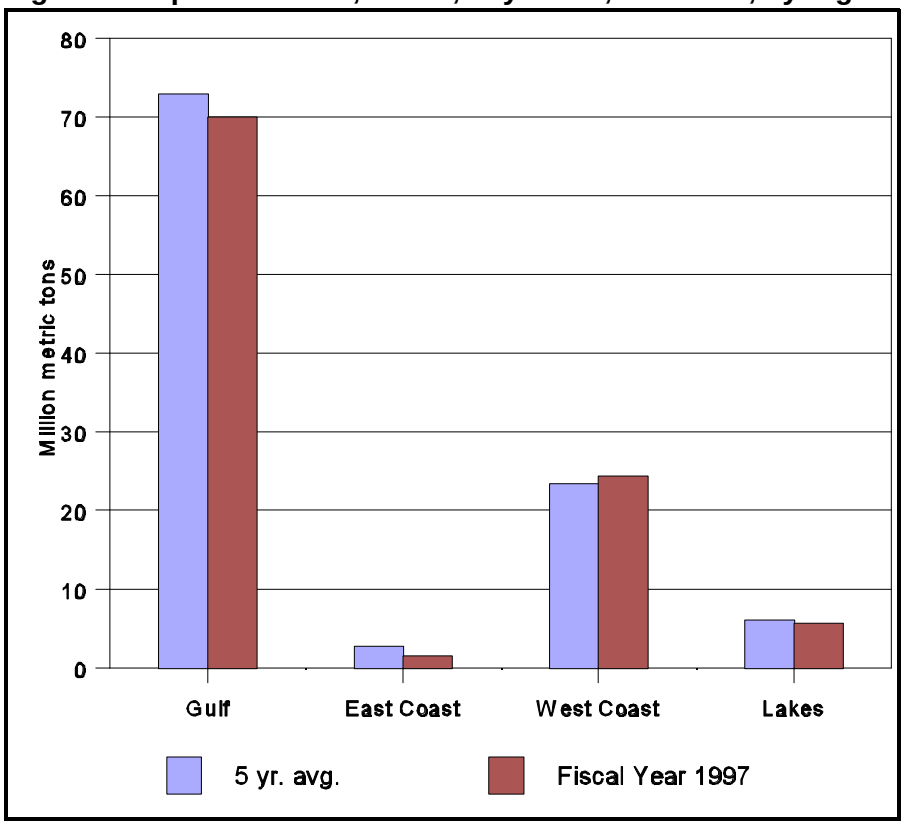
U.S. soybean exports for 1998/99 are projected at 850 million bushels, down 23 percent from 1997/98. Beginning stocks worldwide are projected higher because of recent revisions in 1997/98 production in Brazil and Argentina. As with the United States, 1998/99 soybean exports from Brazil and Argentina are expected to be lower for the coming year. Brazilian exports are expected to drop from 331 million bushels this marketing season to 312 million bushels for 1998/99. Argentine exports are expected to be down from 96 million bushels in this year to 77 million bushels in 1998/99. Even with moderately lower soybean production, 1998/99 global ending stocks are projected to reach a record 911 million bushels.

World soybean imports are projected to drop from 1,433 million bushels this year to 1,382 million bushels in 1998/99, as demand from some of the largest import markets slows. EU soybean crush is expected to rise 1.3 percent in 1998/99 to 570 million bushels. EU soybean imports are not expected to rise due to a larger Italian crop. Chinese soybean imports are forecast up 6 percent for 1998/99 at 121 million bushels. Japan is projected to import 173 million bushels of soybeans in 1998/99, down 6 percent from 1997/98. Taiwan's imports are forecast at 81 million for 1998/99, down 15 percent from 1996/97.

Shipments by Port Region

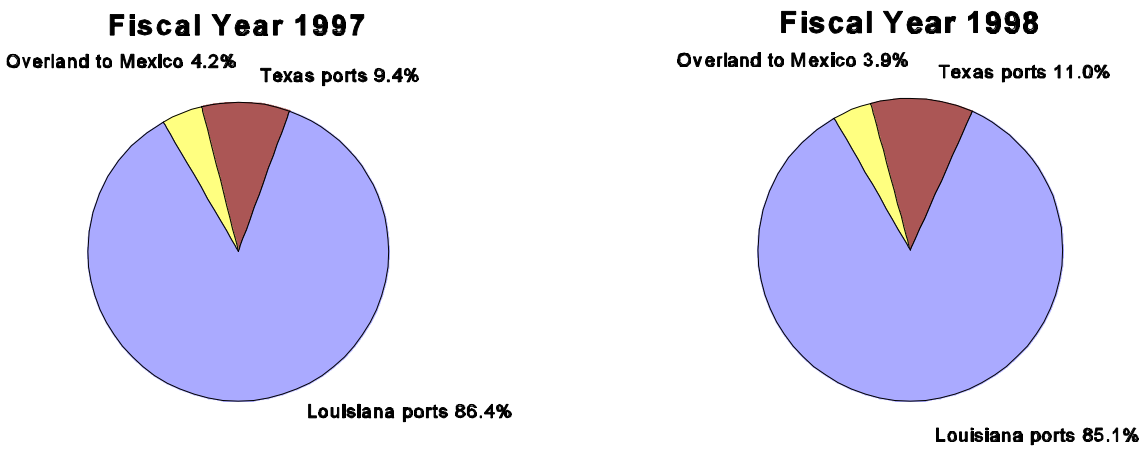
Export grain movement during the 1998/99 marketing year is expected to be slightly higher than 1997/98, but still relatively light. Export shipments from the Pacific Northwest are projected down for 1998/99, most notably due to lower demand for U.S. WW wheat in South Asia. (figure 6). The volume of wheat exports originating from Texas ports is expected to increase this year, and heavy grain exports to Mexico (through the end of calendar year 1998) are expected to pressure rail crossings at the border and lead to an increase in shipments via Gulf ports. Export shipments of cotton are expected to increase from recent record-high levels, before dropping off sharply by the second quarter of 1999. This is expected to increase south-bound rail traffic through the Laredo, Texas, border crossing, since at least 80 percent of cotton exports to Mexico travel via Laredo.

Figure 6–Exports of corn, wheat, soybeans, and meal, by region



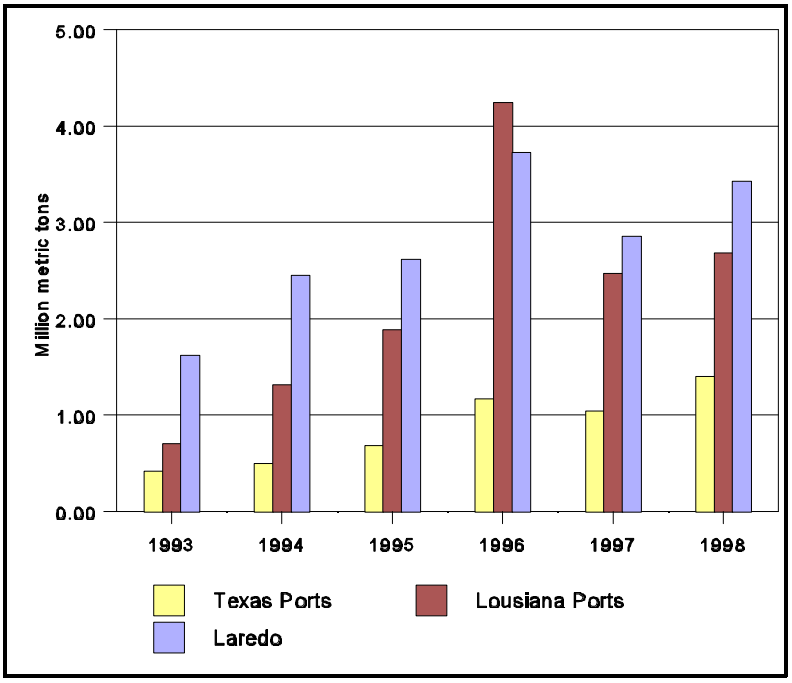
Source: USDA-FAS

Figure 7–Exports of corn, wheat, soybeans, and meal from the gulf region



Source: USDA-FAS

Figure 8–Corn, wheat, soybeans, and meal exports to Mexico, Fiscal Years 1993-98



Source: USDA-FAS

Rail Situation

Grain carloadings on the major railroads (Class I), which had been running below their year-ago levels during the first few months of 1998, have increased slightly in recent weeks. Since the beginning of the Southern Plains winter wheat harvest in early June, weekly grain carloadings reported by the Association of American Railroads have averaged 21,389 cars per week, up just less than 1 percent from their levels in 1997. This small increase has occurred despite continuing weak rail transportation demand in the Western United States. For weekly rail grain carloading information see the latest Agricultural Marketing Service *Grain Transportation Report* at http://www.ams.usda.gov/tmd/grain.htm.

Since early June, grain carloadings on the Kansas City Southern (KCS) and Union Pacific (UP) have been down 6 percent and 12 percent, respectively, from their year-ago levels. Grain carloadings on the Burlington Northern Santa Fe (BNSF) are running virtually even with last year. As a group, carloadings on the three western railroads are down 7 percent. Weaker demand for rail transportation in the Western States is, at least partly, the result of slackened export demand for grain. Railcar shipments of grain to port have been down 3 percent since early June. Nearly all of this loss in export rail demand has resulted from weak demand for export grain at the Pacific Northwest ports. Since early June, rail shipments to the Pacific Northwest have been down 29 percent from the same period in 1997. This situation seems likely to continue in the coming weeks. In contrast, export rail demand at the Texas Gulf ports has been up in recent weeks by 37 percent. Export demand for wheat, which has been higher than earlier anticipated, continues to fuel rail demand in this market. Since late July, grain carloadings have tended upward slightly on the western railroads.

The small recent increase in grain carloadings nationwide has resulted largely from strong demand for rail shipments in the Eastern United States. Grain carloadings on all the eastern railroads−Conrail, CSX, Illinois Central, and Norfolk Southern−have been up since the beginning of June. Eastern loadings have been averaging 6,917 cars per week, up 21 percent from last year, when loadings during the same weeks averaged 5,710 cars per week. This is also up from the same period in 1995, when eastern loadings averaged 6,730 cars per week and total U.S. loadings averaged 26,416 cars per week. This strong demand in the Eastern United States is being driven by strong demand by domestic users. Drought-reduced crops in the Southeast have left livestock and poultry feeders in these areas with limited local feed supplies, creating the need for Eastern Corn Belt feed and feed grains much earlier than normal.

As of late August, the number of covered hopper and air slide equipped covered hopper railcars assigned to agricultural service by Class I railroads is up from 1997. The rail-controlled grain car fleet includes 91,460 cars as of August, up 4 percent from 88,198 cars a year ago (table 12). Eastern Class I railroads are reporting that their fleets will all be up 4 percent from last year with a total of 14,928 cars available for agricultural service. Western Class I's are also reporting a combined fleet that is up 4 percent from last year, with 76,532 railcars available for agricultural traffic. Only the UP is reporting that its fleet is down from last year. Going into the fall harvest, UP reports its fleet at 32,069 railcars, down only 1 percent from last year and second only to BNSF in terms of total fleet size.

Table 12--Railcar fleets assigned to agricultural service by railroad, August 1997-98

Region/railroad	1997	1998	Change
	railcars	*railcars*	*percent*
Eastern railroads			
CSXT	4,300	4,900	14
Illinois Central (IC)	3,900	3,987	2
Norfolk Southern (NS)	6,101	6,041	-1
Subtotal	14,301	14,928	4
Western railroads			
Burlington Northern Santa Fe (BNSF)	32,000	33,000	3
Canadian Pacific/SOO Line (CP/SOO)	6,600	7,963	21
Kansas City Southern (KCS)	3,000	3,500	17
Union Pacific (UP)	32,297	32,069	-1
Subtotal	73,897	76,532	4
Total	88,198	91,460	4

Note: Includes air slide cars and covered hoppers with capacities of 4750 and 5150/5160 cubic feet.
Source: Surface Transportation Board

This year's modest increases in fleet size and weaker demand in the West should help reduce the types of service problems experienced by many shippers during the western rail service crisis last year. Stronger harvest-time demand for grain transportation in the West, however, is likely, given that the market will be seeking available storage, which will be at a premium in many areas. This situation has the potential to present some problems for western shippers, particularly during and shortly after the harvest. With regard to UP, the most recent weekly carloading data put UP grain loadings at their highest levels since spring 1997, just prior to when it began merging its operations with those of the Southern Pacific. UP's most recent service recovery report to the Surface Transportation Board (STB) indicates that service levels and traffic volumes are both improving. Recent congestion problems in southern California also appear to be easing. Most measures of UP system performance reported to STB have improved markedly in recent weeks. This should be good news for many shippers heading into the harvest season.

Strong demand appears likely to continue in the East through the fall. Eastern railroads go into this harvest with stronger demand than last year, but larger fleets should increase their overall capacity to move grains and soybeans. A significant issue will be the timing and duration of the soybean and corn harvests. With the maturity of the corn crop running substantially ahead of the 5-year average and the soybean crop maturing only slightly ahead of its 5-year average, the peak shipping seasons for these two crops could overlap, spiking rail demand early in the fall shipping season.

The members of the USDA/STB Grain Logistics Task Force working group are: Gerald A. Bange, Chairperson, World Agricultural Outlook Board, USDA; Melvin F. Clemens, Jr., Surface Transportation Board; Steve P. Gill, Farm Service Agency, USDA; Brian D. McKee, Grain Inspection, Packers and Stockyards Administration, USDA; Jerry D. Norton, Agricultural Marketing Service, USDA; Peter A. Riley, Economic Research Service, USDA; Robert Riemenschneider, Foreign Agricultural Service, USDA; Jim Schaub, Office of Chief Economist, USDA; and Frederic A. Vogel, National Agricultural Statistics Service, USDA.